

## Message Text

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PAGE 01 BEIRUT 04441 081427Z  
ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-08 /019 W  
-----013473 082111Z /66

R 081305Z SEP 77  
FM AMEMBASSY BEIRUT  
TO SECSTATE WASHDC 5145  
INFO AMEMBASSY AMMAN  
AMEMBASSY DAMASCUS  
AMEMBASSY JIDDA  
AMCONSUL DHAHRAN

UNCLAS BEIRUT 4441

E.O. 11652: N/A  
TAGS: ENRG, SA, LE  
SUBJECT: GOL PROPOSAL TO RESUME TAPLINE CRUDE EXPORTS THROUGH  
LEBANON

REF: USDOC WASHDC#

1. BEIRUT PRESS AND MIDDLE EAST ECONOMIC SURVEY REPORT NEW  
GOL INITIATIVE TO RESUME TAPLINE CRUDE EXPORT OPERATIONS THROUGH  
MEDITERRANEAN TERMINAL AT ZAHRANI. (PRESENT TAPLINE DELIVERIES  
TO ZAHRANI ARE REFINED FOR LEBANESE DOMESTIC CONSUMPTION  
ONLY). GOL EFFORT REPORTEDLY SEEKS TO RESTRUCTURE OPERATION AS  
WELL AS REPLACE TRANSIT FEE SYSTEM WITH PROFIT SHARING ARRANGEMENT  
AMONG TAPLINE AND THE FOUR TRANSIT STATES.

2. ACCORDING TO PRESS REPORTS, INITIATIVE TOOK THE FORM OF A  
REQUEST BY MINISTER OF INDUSTRY AND PETROLEUM MICHEL DOUMIT TO  
TAPLINE MANAGEMENT TO PRODUCE A WORKING PLAN FOR REVIVING THE  
EXPORT OPERATION. TAPLINE PRODUCED A DRAFT AGREEMENT THAT WILL  
SERVE AS THE BASIS FOR NEGOTIATIONS SCHEDULED TO BEGIN IN LATE  
SEPTEMBER AMONG TAPLINE AND THE TRANSIT STATES. PRESS DESCRIBES  
THE TAPLINE DOCUMENT AS PROPOSING FOUR POINTS: (1) RENUNCIATION  
BY THE TRANSIT STATES OF THEIR TRANSIT FEES IN FAVOR OF DIRECT  
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PARTICIPATION IN THE OPERATING PROFITS; (2) ADMINISTRATION OF  
THE PIPELINE BY A COMMISSION MADE UP OF REPRESENTATIVES OF THE  
TRANSIT STATES; (3) DEFINITION OF NET PROFITS; AND (4) FIXING  
OF TAPLINE'S SHARE OF NET PROFITS AT 20 PERCENT. ARTICLE DEFINES  
NET PROFITS IN POINT (3) AS THE DIFFERENCE BETWEEN THE CRUDE  
PRICE EX RAS TANNOURA AND THAT EX ZAHRANI AFTER ALL TAPLINE  
OPERATING EXPENSES HAVE BEEN DEDUCTED.

3. FOCUS OF NEGOTIATIONS WILL BE HOW TO DIVIDE REMAINING 80 PERCENT OF PROFITS AMONG THE TRANSIT STATES. PRESS SPECULATES THAT GOL'S AIM IN NEGOTIATIONS WILL BE TO WIN SAUDI ACCEPTANCE OF AN EVEN SPLIT, 20 PERCENT TO EACH STATE. UNDER THIS FORMULA AND ASSUMING PIPELINE OPERATES AT CAPACITY OF 500,000 BBLS PER DAY, OPERATION ACCORDING TO PRESS ACCOUNTS WOULD PRODUCE NET PROFITS OF \$50 MILLION PER YEAR OF WHICH LEBANON WOULD GET \$10 MILLION AS AGAINST \$2 MILLION EARNED UNDER CURRENT TRANSIT FEE SYSTEM. ALTERNATIVE TO THE EVEN SPLIT WOULD BE CONTINUATION OF PRESENT PROPORTIONAL FORMULA WHEREBY SAUDIS RECEIVE 58 PERCENT AND LEBANON, SYRIA AND JORDAN 14 PERCENT EACH OF TRANSIT FEE INCOME.

4. COMMENT: REGARDLESS OF FINAL ARRANGEMENT TO SPLIT PROFITS, ABILITY OF TAPLINE TO COMPETE SUCCESSFULLY WITH VLCC TANKERS WOULD SEEM TO DEPEND ON WORLDSCALE FIXINGS AND THUS ON A RATHER VULNERABLE AND WE ASSUME FLEXIBLE PRICE STRUCTURE. THE FIRST FIGURE PROPOSED IN BEIRUT PRESS FOR THE GROSS DIFFERENTIAL BETWEEN RAS TANNOURA AND ZAHRANI (BEFORE TAPLINE'S COSTS DEDUCTED) IS 40 CENTS PER BARREL. WE WOULD WELCOME FROM POSTS FOR WHOM SUCH CALCULATIONS ARE EVERYDAY FARE THEIR VIEWS AS TO WHETHER AT THIS DIFFERENTIAL TAPLINE, GIVEN ITS MODEST SIZE AND EFFICIENCY IN RELATION TO MODERN PIPELINES AND THE STRONG COMPETITION IT FACES FROM TANKERS, HAS A REALISTIC CHANCE OF RE-ESTABLISHING ZAHRANI AS A CRUDE EXPORT TERMINAL.

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NOTE BY OC/T: #AS RECEIVED.

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## Message Attributes

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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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